 doi:10.1111/spsr.124

Is Populism Bad For Business? Assessing The Reputational Effect Of Populist Incumbents

Luís deSousa[1], Daniel Fernandes[2] and
Florian Weller[3]
[1]Instituto de Ciências Sociais, Universidade de Lisboa
[2]Department of Social and Political Sciences, European University Institute
[3]School of Public Policy, Central European University

Abstract: *This article seeks to assess whether populist incumbents affect their country's perceived political stability and business climate. Existing evidence contends that populist governments in European democracies produce more moderate policy outcomes than their agendas would suggest. However, populist parties are still regarded as disruptive, as they are perceived to not conforming to the politics of negotiation and compromise that are central to liberal democracies. Therefore, their presence in government may generate political uncertainty and negatively affect the business climate. Drawing on a sample of 26 European democracies between 1996 and 2016, we find that populist incumbency initially generates market uncertainty, but after about two years in office, the negative effect on the business climate vanishes.*

Keywords: Populism, Democracy, Government, Business Climate, Political Uncertainty

Introduction

In recent years there has been a renewed interest in populism (Bale et al. 2011; Berezin 2013; Mény and Surel 2000, 2002; Mudde 2000, 2007; Mudde and Kaltwasser 2013; Panizza 2005). At the heart of this renewed interest is the increasing electoral success of populist parties in both consolidated and recently established democracies across Europe (Van Kessel 2015). This upsurge in populist vote allowed populist parties to get parliamentary representation and, in some cases, to access executive power. This trend has pushed academics not only to inquire about the conditions that lead to populism but also to investigate their political and policy impact in European countries.

A large body of research assesses the political impact of populism as a challenge to liberal democracy (Abts and Rummens 2007; Canovan 1999, 2004; Mény and Surel 2000, 2002; Mudde 2004, 2007; Panizza 2005; Urbinati 1998; Weyland 2013; Žižek 2006) and as a threat to political stability in Western democracies (Fella and Ruzza 2013; Levitsky and Loxton 2013; Pappas 2014). The constant demonization of their political adversaries (Abts and Rummens 2007), the de-institutionalization of politics (Huber and Schimpf 2017), and moralization of politics (Krastev 2006) mean that populists not only reject the symbolic framework in which conventional politics are played. They also deliberately reduce the space for negotiation and compromise. This, is turn, can complicate the formation of coalition governments. Therefore, it can be a potential cause of political uncertainty.

Scholars focusing on the policy aspects of populism find that populist incumbents may have an impact on the formulation of migration and integration policies (Akkerman 2012); foreign policy (Verbeek and Zaslove 2015); and on socio-economic policies (Cavallaro 2017; Röth et al. 2018). Nevertheless, they tend to produce more moderate policy outcomes than their radical agendas would suggest (Akkerman 2012; Albertazzi 2008; Luther 2011). Most populist incumbents in European democracies have been, however, part of right-wing cabinet formations. Not only that but the economy often takes less precedence relative to other issues, such as cultural and migration policies, law and order, or even media freedom laws (Minkenberg 2001; Zaslove 2004). More recently, Cavallaro (2017) has looked at the interplay between cultural/migration and economic policy dimensions. He did not find any strong evidence suggesting that ruling coalitions including radical right populist parties engage in opportunistic behaviours. The literature on pledge fulfilment suggests that cabinet coalitions with populist parties tend to display lower percentages of pledge fulfillment (Thomson et al. 2017). Hence, the issue is not about unfulfilled electoral expectations. Instead, the issue hinges on the fears of instability that these parties may generate in an influential segment of the society: businesspeople.

Despite these advances in the literature, there is little comparative empirical work on the impact of populism on a country's business reputation. Nevertheless, business elites regularly voice their concerns about the populist challenge in the public arena. Populist parties are often depicted as inconsistent, unprepared, unfit, and unpredictable. During the 2017 World Economic Forum in Davos, Switzerland, the new populist surge was perceived by both investors and market-movers as an "abyss", a lurking threat to globalization and the idea of free trade and open markets. The president of the European Central Bank Mario Draghi (2011-2019) voiced a similar concern. Draghi admitted that the populist rise potentially makes uncertainty dominant, thus threatening the European project.

The literature refers to an association between populist incumbents and their potential impact on market stability (Doyle 2011; Kaltwasser and Taggart 2016), through single- and multiple-case studies (see Albertazzi 2008; Betz 1994, 1998; Fella and Ruzza 2013; Ionescu and Gellner 1969; Jansen 2011). However, a more systematic and comparative perspective of these effects on expectations is still lacking. This article contributes to this body of research by exploring how populist incumbencies affect both expectations on political stability and the country's business climate.

Previous studies have linked political uncertainty with adverse effects on the economic life of a given country. Political uncertainty encompasses a series of risks, some more threatening to risk-averse investors than others. As a consequence, such investors will adapt their capital structures according to how stable and developed the business environment and political and legal institutions are in a given country. Busse and Hefeker (2007: 397), for instance, show that "government stability, internal and external conflict, corruption and ethnic tensions, law and order, democratic accountability of government, and quality of bureaucracy" are strong determinants of foreign investment inflows. Similarly, Jensen (2008) demonstrated that political uncertainty negatively affects the prices paid by multinational investors for insurance against political acts harming their business interests. The author also finds that the risk is higher where the chief executive is less constrained by institutional checks and balances and the rule of law.

We expect that populist incumbencies, for the various reasons invoked in the literature and discussed above, generate negative perceptions of the country's political stability and business climate among economic stakeholders. To test these hypotheses, we organize the remainder of this article as follows. First, we discuss the reputational effect of populist incumbency. We argue that governments with populist party(ies) are more likely to generate political uncertainty and have a negative effect on the country's business climate/ reputation. We then employ statistical analysis to test these hypotheses by using maximum likelihood estimation and include two random effects. Our findings suggest that populist incumbencies have no clear impact on the stability of the political system (with a few known exceptions) and the attractiveness of the business climate, despite the discursive and ideological dimensions.

The reputational effect of populist incumbency

There is ample literature on populism offering a variety of definitions and approaches to the phenomenon (Gidron and Bonikowski 2013). Populism has been defined as an anti-political chameleonic appeal (Taggart 2000); a thin-centred ideology (Mudde 2000); a moralistic, non-programmatic political project (Krastev 2006); a bundle of unreasonable and unpredictable pledges and payoffs (Schmitter 2007).

We understand the importance of this rich theoretical debate and how it conditions empirical research. However, the focus of this article is not about the defining features of populism but rather the reputational effect of populist incumbency. As such, we use the definition adopted by Huber and Ruth (2017) and Huber and Schimpf (2017) to avoid a lengthy discussion on the conceptual intricacies of populism (Bale et al. 2011; Berezin 2013; Mény and Surel 2000, 2002; Mudde 2000, 2007; Mudde and Kaltwasser 2013; Panizza 2005). Populism is here understood as a set of ideas about how democracy should be organized and function based on four key attributes identified in the literature (Rooduijn 2014): popular legitimation of politics (people-centrism); the perception of "the people" as a single homogenous category, without class divisions or conflicting views/ interests; an anti-elite, pro-people political discourse; and the depiction of a (perceived) permanent crisis. We believe two of the four definitional attributes are important to our analysis: the anti-establishment rhetoric and the proclaimed crisis, which feeds into a generalized sense of political uncertainty. We have coded populist parties according to these two recent empirical works (Huber and Ruth 2017; Huber and Schimpf 2017). We also relied on Ivars (2017) to classify populist parties in the case of Portugal and Spain. Hinging on these criteria, we counted 63 populist parties in 26 European countries, from 1996 onwards. All populist parties, grouped by country, are listed in Table 1.

When we look specifically at populist incumbencies, we can broadly identify two strands in the literature. One addresses the challenges of the survival of populist incumbents. The other focuses on the impact of populist incumbents on policy outcomes.

The first strand has evolved in two stages. Before the economic crisis, scholars treated populist incumbencies as a spasmodic phenomenon, "flaring up briefly and dying away almost as fast" (Canovan 2005: 89). Indeed, populist parties did manage to get parliamentary representation and, on fewer occasions, enter cabinet formations. Nevertheless, their presence in office has been difficult to sustain over time (Taggart 2004). Populist parties were perceived as "neither durable nor sustainable parties of government" (Mény and Surel 2002: 18). The literature points towards institutional weaknesses common to newcomer parties to explain their short-lived government experiences (Albertazzi and McDonnell 2015: 169). These include inexperience in policymaking; lack of expertise; the difficulty to "live up to its promises" (Canovan 1999: 12), i.e. to transform its radical pledges into concrete policy measures; the difficulty "to handle the immanent conflict between the redemptive and pragmatic faces of democracy" (Hegedüs 2019: 408), i.e. to

Table 1: Populist parties

Country	Party
Austria	Alliance for the Future of Austria
	Team Stronach
	FPÖ
Belgium	List Dedecker - Libertarian, Direct, Democratic
	New Flemish Alliance
	Flemish Block
Czech Republic	Public Affairs
	Rally for the Republic
	Action of Dissatisfied Citizens
Denmark	Progress Party
	Danish Peoples Party
Estonia	Estonian National Independence Party
	Estonian Citizens
	Constitution Party - Estonian United People's Party
Finland	True Finns
France	National Front
Germany	The Left / PDS
Greece	Popular Orthodox Rally
	Panhellenic Socialist Movement
	Coalition of the Radical Left
	Independent Greeks
	Peoples Association - Golden Dawn
Hungary	Fidesz - Hungarian Civic Party
	Jobbik Movement for a Better Hungary
Iceland	Civic Movement - The Movement
	Citizens' Party - 1987
Ireland	Sinn Fein
Italy	National Alliance
	Go Italy - The People of Freedom
	North League
	Lombard League
	Five Star Movement
Latvia	For Fatherland and Freedom
	Unity
Lithuania	Young Lithuania
	Labour Party
	Order and Justice - Liberal Democratic Party
Luxembourg	Action Committee Pensions
Netherlands	Socialist Party
	Fortuyn List
	Livable Netherlands
	Party for Freedom
Norway	Progress Party
Poland	Self-Defense of the Republic Poland
	Law and Justice
	League of Polish Families

Table 1: Continued

Country	Party
Portugal	Democratic Renewal Party
	Left Bloc
Slovakia	Direction - Social Democracy
	Party of Civic Understanding
	Slovak National Party
	Movement for a Democratic Slovakia
	Association of Workers of Slovakia
	Ordinary People and Independent
Slovenia	Slovenian National Party
Spain	We Can
Sweden	New Democracy
	Sweden Democrats
Switzerland	National Action - Swiss Democrats
	Swiss People's Party
	Ticino League
	Automobile Party - Freedom Party of Switzerland
United Kingdom	Sinn Féin

reconcile their anti-elitist posture with the need to perform elite functions once in office; and pressure to tone down their radical pledges (Heinisch 2003) as to signal to the broader electorate and to the business community of their capacity to conduct governmental matters (Schmitter 2007).

These structural weaknesses highlight some of the difficulties in achieving and managing cabinet coalitions with populist parties. Not only do they need to cooperate with mainstream parties that have been a target of their anti-elitist rhetoric. They also have challenges in getting policy influence, as mainstream parties with more policy expertise and a closer link to the business community seek to maximize their control over portfolio distribution (De Lange 2012).

With the global economic and financial crisis, populism regained a new momentum, and the presence of populist parties in parliament and government formations started to be less of an episodic phenomenon. This prompted a series of new studies that looked not only at the electoral success and survival of populist parties but also to the impact populist incumbents may have on the policymaking process. Albertazzi and McDonnell (2015: 165-166), for instance, argued that populist incumbents were here to stay, taking part in government coalitions in several countries.

The second strand moves away from the incumbency challenge argument. Instead, it focuses on the impact of populist incumbencies on public policies (Akkerman and De Lange 2012; Cavallaro 2017; De Lange 2012; Röth et al. 2018). Cavallaro (2017) tested the effect of the policy preferences of government coalitions that include radical-right populist parties on the economy with a dynamic panel analysis on a sample of 27 countries between 1991 and 2014. The author did not find evidence suggesting that ruling coalitions including radical right parties engage in opportunistic behaviours (increasing government spending or public deficit during an electoral year to push forward their political agenda). However, he did find some evidence that unemployment rates of foreign citizens (Western Europe) and domestic consumption (Eastern Europe) tend to increase with populist incumbencies. Still, he admits that further research is needed to confirm these claims (Cavallaro 2017). Röth et al. (2018) studied the impact of populist incumbents on both redistributive (i.e. social spending and welfare generosity) and regulative (i.e. market-making) economic policies in Western European countries. They concluded that coalition governments with radical right parties are more willing to accept deregulation and privatization than welfare cutbacks.

While policy-oriented studies on populism have proliferated during the last couple of years, there is still a large empirical gap on how they affect perceptions on political and market stability, a research gap we seek to fill with this contribution. We are particularly interested in the impact of populism from the angle of "reputation", i.e. the negative impact populist incumbency has for a country's political and economic reputation in the eyes of the business community. Before discussing to what extent the policy preferences of populist parties may be translated into actual measures once elected, it is also important to assess the reputational impact their incumbency has on a country's perceived political stability and business climate among businesspeople.

Through this political lens, we try to understand to what extent populist incumbencies not only generate political uncertainty but also impact on the countries' business climate, i.e. on the general economic and regulatory conditions for doing business and investing.

Populism and political uncertainty

One of the claimed "vices" of populism in liberal democracies, to paraphrase Philippe Schmitter (2007), is the political uncertainty it creates once in office. Taking stock of the existing literature, we have identified four sources of political uncertainty generated by populist incumbents.

First, populist parties tend to push emotional programmatic agendas that do not necessarily consider macroeconomic conditions of their countries. For instance, snubbing external debt commitments or opposing welfare retrenchment as part of structural adjustment effort may be a strategy to make political gains internally. But these agendas do not follow "responsible" principles of government (Mair 2008), thus creating reputational costs externally, usually associated with uncertainty among creditors and investors (Gulen and Ion 2015).

Second, and following logically from the previous source, populist parties introduce specific pledges that cannot be reasonably fulfilled. They may also pursue ill-conceived, kneejerk and sound-bite solutions to complex problems, without taking into consideration the financial sustainability and externalities of their decisions. Populists' radicalism is intended to cut through prevailing stalemates or collusive arrangements, but breeds uncertainty about macroeconomic management and policy outcomes and potentially drives away investors (Rodrik 1991).

Third, populist incumbents often pledge to introduce procedural changes affecting policymaking. This includes, for instance, increasing decision-making capacity of executives *vis-à-vis* other elected offices. Admittedly, the extent to which populist parties can actually make these changes once in office depends largely on their leverage within the executive (De Lange 2012) and existing institutional checks (such as bylaws and constitutional provisions).

Lastly, populist incumbents may, in extreme cases (such as in the cases of Poland and Hungary, see J.-W. Müller 2016), alter the rules of the game altogether, with intent to weaken checks-and-balances and to remain in power. This can be attained through constitutional review (for instance, by eliminating term limits), by introducing changes to the electoral laws, changing the composition of judicial and constitutional review bodies, and limiting freedoms. These structural changes are likely to generate long-term political risks and uncertainty and will probably account for much of the variation observed across democracies with different levels of consolidation.

To be fair, many of these concerns are not specific to populist incumbency alone. Nevertheless, there is a general fear among conventional political and business elites that when populist parties get elected, political uncertainty or political risk, as it is often termed in economics, is likely to grow and the business climate is likely to deteriorate. Furthermore, political uncertainty is vital to investors, who ultimately use soft and hard data indicators to determine risk ratings and "ultimately use them in evaluating whether or not to gamble investment in these countries" (Becerra-Fernandez et al. 2002: 788). Political uncertainty here stands for a series of institutional and macroeconomic conditions that negatively affect "the profitability of an investment in a [...] country and that would not be present if the country had a more stable and developed business environment and legal institutions" (Kesternich and Schnitzer 2010: 208, see also Hill, 1997). It ranges from the inadequate protection of property rights to outright expropriation; from unpredictable fiscal policies to clientelism and corruption; from protectionist practices to non-visible barriers to investment. The theoretical arguments presented so far lead us to present the following two hypotheses:

H1: Governments with populist party(ies) are more likely to generate perceptions of political uncertainty.

H2: Governments with populist party(ies) are more likely to negatively affect the country's business climate.

Case selection, Data and Methods

To test our hypotheses, we created a dataset that comprises information on 26 European countries from 1996 to 2016. This case selection is instrumental in testing our hypotheses, as these countries face a series of supranational constraints resulting from EU membership that impact the margin of manoeuvre of populist incumbents to shape policy and policy processes at their free will.[1]

Since our dependent variables are collected on an annual basis, we structured the dataset using a year-country panel. Below, we present the data of our dependent, independent, and control variables and the methods used for the statistical tests. A list of all variables used in the analysis, and the summary statistics, can be found in Table 1 below.

As dependent variables, we need measures that capture political and market uncertainty. Political uncertainty can be measured by using risk data on political, financial and

[1] This case selection, and the supranational constraints the countries in our dataset face, also means that our models represent a least-likely scenario for the presented theory and hypotheses. If the hypotheses are supported using this case selection, expanding it to a wider set of cases outside the EU, with countries not as strongly constrained as the EU member states, should only further strengthen the results. It is also important here to point out that, due to this case selection, we have an almost exclusive set of right-wing populist parties in government. We can therefore not differentiate between political uncertainty evoked by right-wing populist parties vs others.

macroeconomic trends worldwide. We rely on the Worldwide Governance Indicators (WGI) to this purpose (Kaufmann et al. 2011). The WGI have six main indicators (voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and control of corruption), each of them captures a specific form of political risk. Thus, when the WGI are used as dependent variables, we measure how political uncertainty itself is affected when populist parties come into office. All six indicators were aggregated, giving equal weight to each indicator. The individual indicators are standardized, i.e. they have a mean of zero and a standard deviation of 1. Thus, the more favourable the values are, the better a country performs on a single issue. In our dataset (which only includes EU member states), the worst value was recorded for Greece in 2016 (1.02) while Finland had the highest value in 2003 (11.82).

We capture market uncertainty using the business confidence index (BCI) provided by the OECD (2018). The BCI based on enterprises' assessment of production, orders and stocks, as well as its current position and expectations for the immediate future. Opinions compared to a "normal" state are collected, and the difference between positive and negative answers provides a qualitative index on economic conditions. Values around 100 mean that not much is expected to change. Higher values provide a positive outlook on the economy. Lower values correspond to a negative feeling about the future of the economy. The highest value in the dataset was registered for Estonia in 2006 (105.9), with the lowest value recorded for Latvia in 2009 (92.1).

The WGI is often criticized for being a biased perception-based index reflecting the views of "elite" businesspeople, mostly foreign investors, large domestic firms and rating experts (Arndt and Oman 2010; Kurtz and Schrank 2007). The WGI authors (Kaufmann et al. 2007) dismiss this claim on three grounds. First, in addition to business surveys, the WGI also includes data from cross-country public surveys and data sources produced by government, multilateral and non-governmental organizations as well as commercial rating agencies. Second, data from business surveys used includes both the views of national and foreign firms. Third, it is not clear-cut that the preferences of businesspeople regarding good governance differ considerably from those of households. However, the WGI are composite perception-based indicators which "offer a quantitative estimate of the quality of a country's governance" (Oman and Arndt 2010: 7) and thus make it easy to compare scores across countries and over time. The underlining fundamentals of "good governance" are implicitly determined by the aggregation of those subjective perceptions for each country in a given year. On the one hand, these indicators are adequate to assess the reputational effect of populist incumbents, as they capture changes in governance expectations. On the other hand, they are clearly different from most quality of democracy measures, which focus on changes in the fundamentals of political systems themselves.

The BCI is about business expectations *tout court*. It expresses the degree of optimism that firms and managers have on the prospects of economic conditions in a given country or conjuncture. Businesspeople make decisions based on their perceptions of risk and uncertainty, hence the importance of governments in setting and communicating appropriate expectations and making credible policy commitments. Misaligned expectations generate uncertainty which may eventually lead to suspend or even cancel investment decisions.

Our main independent variable captures the number of parliamentary seats of populist parties in government weighted by the number of seats of all governing parties. For instance, if a populist party holds five seats, and governing partners 15 seats, then the independent variable takes a value of 0.25. This measure allows us to capture potential differences in the relative influence of populist parties in governments as they often join governmental coalitions with non-populist parties. To construct this variable, we first compiled a list of populist parties hinging on the definition laid out in the first section. Then, we gathered all the electoral data from Parlgov resources (Döring and Manow 2016). We matched our list with Parlgov's standard party IDs. Since election terms are rarely in line with year changes, we had to make coding choices: the observation values correspond to the executive seat-share of populist parties of the electoral term that last the longest within a given year.[2]

According to the current body of literature (Bjørklund and Andersen 2002; W. C. Müller 2002), electorally successful populist parties are likely to push forward their pledges shortly after taking office during the coalition-bargaining process (De Lange 2012). Policy-oriented coalition formation theories tend to underline that minor coalition partners seek to push forward their most preferred policies during government formation and cabinet portfolio allocation negotiations. This is very important since portfolio allocation is a mechanism through which prospective government coalitions make credible ministerial commitments that inform the expectations of voters and economic agents of future policy intentions (Laver and Shepsle 1990). However, policy radicalism is likely to be tamed or fade away as they stay longer in power (De Lange 2012) and conventional policy negotiation practices with coalition partners, bureaucrats and policy networks settle back in. In other words, there is reason to believe that the longer populist parties remain in office, the more likely they are to moderate their political views and behavior. Several mechanisms may contribute to this, such as experience in coalition bargaining of conventional politics or in dealing with the technical complexity of issues and policy processes. The paradox is that these are the very same policy features that nurture populism in advanced democracies (Papadopoulos 2002: 53).

Since we are trying to capture the negative effect of populist incumbencies on political uncertainty, we need to account for this potentially moderating effect of the time in office. In order to capture this potentially moderating effect, we coded a variable that captures, for each *period* of populist incumbency, how long the government lasted. If the incumbent party is re-elected, our variable will continue the count even after the election. We have one government with populists in office in our dataset, which lasted ten years, three lasted seven years (or longer). Overall, there are 18 periods with populist incumbency lasting at least one year in our data. This variable interacts with the "share of the executive" variable in order to capture the overall effect. To this purpose, we include the interaction term between populist parties and time in office in the statistical model. Note that we are not interested in capturing the effect of the length of the time in office itself, but only in how (or whether) it moderates the main effect of populists in office. Therefore, we do not include the main effect of the time in office in the model.[3]

Finally, a brief discussion of the control variables is in order. We added a battery of other variables which are commonly regarded as instrumental in explaining political and economic stability. These include GDP growth, GDP per capita, trade as a percentage of

---

[2] As an alternative operationalization, and as a robustness check, we include a simply dummy variable capturing whether in a given year a populist party was in power. When using this alternative measure, the results – reported in Appendix Table A1 – are very stable when compared to the results discussed below (see Table 3).

[3] The reason for not including the main effect of time has to do with the nature of this variable, which captures the incumbency of populist parties only, and takes on the value of zero when populists are not in power. For a detailed explanation please refer to the appendix.

GDP, and annual inflation rate. All measurements used as control variables are taken from the World Development Indicators (World Bank 2018).

We also control for whether the effect of populist in office only occurs the first time they hold office, or whether this effect happens again if they re-join government at a later point in time. Finally, we also include a dummy indicating whether the government in question is a minority government or is backed by a majority in parliament.[4] Table 2 presents summary statistics for the variables used in the statistical analysis.

Table 2: Summary statistics

	Mean	Median	SD	Min	Max	*N*
Executive share	0.09	0	0.25	0	1	546
Time in office	0.44	0	1.35	0	10	546
GDP growth	2.55	2.6	3.47	-14.81	25.56	546
Business Climate Index	100.04	100.18	1.62	89.5	105.9	474
GDP growth (log)	10.08	10.2	0.78	7.75	11.69	546
Trade (% of GDP)	104.93	89.7	55.62	37.5	410.17	546
Inflation rate	2.81	2.17	3.17	-4.48	24.62	546
WGI	7.32	7.3	2.63	1.02	11.82	546
Gov. Effectiveness	1.32	1.42	0.55	0.14	2.35	546
Regulatory Quality	1.29	1.25	0.38	0.15	2.1	546
Control of Corruption	1.27	1.33	0.75	-0.2	2.47	546
Rule of Law	1.29	1.33	0.53	0.13	2.1	546
Political Stability	0.91	0.94	0.42	-0.47	1.76	546
Voice and Accountability	1.23	1.27	0.26	0.37	1.8	546

Results

Table 3 presents the findings of the statistical analysis. Both models use maximum likelihood estimation and include random effects. The first random intercept is placed on countries, as repeated observations for the same country cannot be considered to be independent of each other. The second random effect is used for years to ensure that global (or European) economic trends (which affect all countries in the dataset) are also accounted for. The maximum number of observations of these multilevel models is then 546 (26 countries and 21 years), but this value is only reached for the WGIs since there are missing values on our BCI variables.

Note that in both models the effect of populist executive share is negative, while the interaction term with time in office is positive. This means that, while populists taking office has – according to our models – a negative effect on our dependent variables in the

[4] For the last two variables, first-time in power and minority government, we again needed to make a decision regarding coding rules in years when governments changes (since we conduct our analysis annually). As in the case of the executive seat-share variable, we used the government that lasted the longest within a given year to make our coding decision. However, we also used a second coding rule to construct the two variables as the share of a given year in which there was a minority government or a populist party in power for the first time. When using these alternative measures, we obtain very similar results as the ones reported in this article in Table 3. The results with the alternative measures are included in Appendix Table A2.

Table 3: Results of the statistical analysis (random effects)

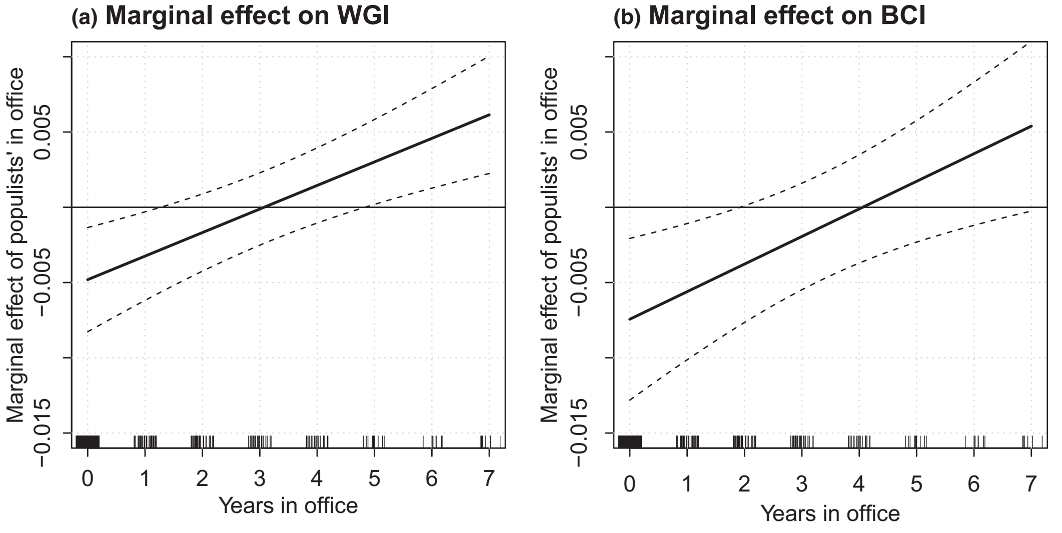
	Dependent variable	
	WGI	BCI
Executive share	-0.481***	-0.744**
	(0.177)	(0.320)
Executive share * time in office	0.156***	0.183**
	(0.041)	(0.072)
GDP growth	0.031***	0.382***
	(0.010)	(0.020)
GDP per capita (log)	2.688***	0.449***
	(0.141)	(0.173)
Trade (% of GDP)	-0.0004	-0.006***
	(0.002)	(0.001)
Inflation rate	0.058***	0.001
	(0.010)	(0.020)
Minority government (dummy)	0.043	-0.091
	(0.067)	(0.120)
First time in government (dummy)	0.097	-0.351
	(0.115)	(0.217)
WGI		-0.081*
		(0.043)
Intercept	-19.998***	95.818***
	(1.460)	(1.554)
AIC	1084.953	1381.526
BIC	1136.585	1435.622
Log Likelihood	-530.477	-677.763
N	546	474
N groups: country	26	23
N groups: years	21	21
Variance: country	2.081	0.094
Variance: years	1.09	0.23
Variance: residual	0.253	0.828

Random intercept models using countries and years as random effects, standard errors in parentheses
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

short run, in the medium to long-term this negative effect is balanced out. This claim is supported in Model 1 of Table 3, i.e. for our hypothesis on political uncertainty, and in Model 2 capturing populists' effect on the business climate. We will now discuss these effects, and their implications, in some more detail.

First, focusing on the first Model of Table 3, we see that the model predicts the combined WGI index to drop by a maximum of -0.48 points when populist parties take power. This result is significant, but as the tenure of these parties goes on, the effect is moderated by the positive interaction term with a magnitude of 0.16. In other words, after one year in office, the model predicts the maximum negative effect of populist parties in office on the combined WGI score to be down to about -0.32 points. This effect is still

Figure 1: Marginal effect of populist incumbency over time (including 95% confidence intervals)



significant at the 95 per cent confidence level, but as the length of holding office increases, the significance vanishes.

The left-hand panel of Figure 1 depicts the marginal effect of our populists in office measure, for a one-point increase in the percentage of seats held by populist parties in government, and how this effect changes as the length of the tenure increases. This effect is, of course, very small for such incremental increases of the seat-share of government parties held by populist. Specifically, the figure shows that when the seat-share of populists increases by one percent, then the predicted drop in the WGI score is -0.005. As this share of seats held by populists increases, the effect grows in magnitude as well, up to the -0.48 points shown in the model when only populist parties make up the government. This maximum value of -0.48 represents about a 5% shift towards the lower end of the observed variation of the WGI variable, a quite significant shift for the highly democratic countries in our sample. It can also be seen in the figure that the predicted negative effect on WGI turns insignificant not too long after populists take office.

When populists stay in office for more than five years, the model even predicts populist parties holding office to have a positive effect on the combined WGI score. However, since there are only a few observations in the tail end of the “years in office” distribution, this finding is likely an artefact of the slope being driven by the (much more densely populated) lower end of the distribution.

Taking a more in-depth look into what drives these findings, we applied the same models to all individual WGIs. Table 4 shows these results. We found an expectable negative effect of the populist executive share on the dimensions of rule of law, voice and accountability and political instability. Indeed, it seems that populist incumbents are associated with a (short-term) reputational damage to the quality of governance. Although we did not find a significant effect of populist incumbency on the WGI corruption control dimension – which actually gauges perceptions of the extension of corruption and state capture in the country, measured in a reverse manner, i.e. lower

Table 4: Results of the statistical analysis (random effects)

	Dependent variable					
	Gov effect.	Regul. Qual.	Contr. Cor.	Rule law	Polit. Stabil.	Voice / Account
Executive share	0.004	-0.06	-0.088*	-0.089**	-0.160***	-0.097***
	(0.051)	(0.046)	(0.050)	(0.038)	(0.062)	(0.029)
Executive share * time in office	0.008	0.016	0.043***	0.022**	0.045***	0.025***
	(0.012)	(0.011)	(0.012)	(0.009)	(0.014)	(0.007)
GDP growth	0.003	0.011***	0.002	-0.0007	0.016***	0.002
	(0.003)	(0.002)	(0.003)	(0.002)	(0.003)	(0.002)
GDP per capita (log)	0.585***	0.322***	0.432***	0.568***	0.387***	0.184***
	(0.038)	(0.031)	(0.040)	(0.030)	(0.045)	(0.020)
Trade (% of GDP)	-0.001	-0.001	0.0003	-0.0002	0.001	-0.0004
	(0.0004)	(0.0004)	(0.0004)	(0.0003)	(0.001)	(0.001)
Inflation rate	0.006**	0.009***	0.013***	0.016***	0.002	0.008***
	(0.003)	(0.003)	(0.003)	(0.002)	(0.003)	(0.002)
Minority government (dummy)	-0.043**	0.022	0.011	0.026*	0.009	0.015
	(0.019)	(0.017)	(0.019)	(0.014)	(0.023)	(0.011)
First time in government (dummy)	0.001	0.025	0.033	0.012	0.021	0.002
	(0.033)	(0.030)	(0.033)	(0.025)	(0.040)	(0.019)
Intercept	-4.536***	-1.963***	-3.176***	-4.468***	-3.102***	-0.630***
	(0.387)	(0.315)	(0.413)	(0.303)	(0.455)	(0.206)
AIC	-282.785	-417.131	-272.976	-579.072	-85.024	-907.322
BIC	-231.154	-365.499	-221.344	-527.441	-33.393	-855.691
Log Likelihood	153.393	220.565	148.488	301.536	54.512	465.661
N	546	546	546	546	546	546
N groups: country	26	26	26	26	26	26
N groups: years	21	21	21	21	21	21
Variance: country	0.079	0.067	0.286	0.073	0.095	0.025
Variance: years	0.055	0.007	0.034	0.029	0.058	0.005
Variance: residual	0.021	0.017	0.02	0.012	0.031	0.007

Random intercept models using countries and years as random effects, standard errors in parentheses
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

levels of perceived corruption are interpreted as higher corruption control –, the coefficients points into the expected direction and is close to conventional significance levels. In addition, the interaction effect is significant. This means that the populist anticorruption demagoguery may pay-off electorally but is likely to impact negatively on the overall quality of governance since sociotropic perceptions of corruption are likely to increase.

When it comes to the sensitive levers of macroeconomic management, we found no effect of the populist executive share on quality of regulation and government effectiveness, In these two dimensions, the EU integration, both in legal and economic terms, is likely to contribute to the resilience of democratic institutions.

We see a similar situation in the second model, capturing the effect of populist parties in office on the business climate index. At first, directly after taking office, the model predicts the BCI to drop by about -0.75 points, again a statistically significant decrease. In this model, however, it takes longer for the moderating effect of time in office to set in and to moderate the negative impact populists have on the business climate. After approximately 2.5 years, the model predicts the effect to become insignificant. It remains so even if populists stay in office for a substantial amount of time. How this marginal effect of populist parties in office on the business climate impact changes – again for a one-point increase in the percentage of seats held by populist parties in government – is depicted in the right-hand panel of Figure 1. Both H1 and H2 find some support in the statistical models, but only for the beginning of the tenure of populist parties.

Discussion

The findings in the previous section provide some evidence that when populists enter cabinet formations, they appear to generate political uncertainty and negatively affect the business climate in their countries – but only in the (very) short term. The question is, why this might be the case. One possible explanation could be that being in government is a "path to moderation and respectability" (Heinisch 2003: 120) for populist parties. More generally, various scholars argue that populist cannot maintain their party identity when the strain of participation in a coalition government hits (Mény and Surel 2002; Taggart 2004). They also maintain that their government participation comes at the cost of losing their radicalism and purity (Minkenberg 2001; van Spanje and van der Brug 2007).

If this is the case, it could be argued that the checks and balances of democratic institutions work. Populist parties are not easily able to translate their radical programs into policy and need to moderate their language and their policy preferences to be, at least, moderately successful in coalition governments. Ruth-Lovell et al. (2019) argue the opposite. The authors say that "on average, populist governments tend to erode the level of the electoral, liberal and deliberative model of democracy" (Ruth-Lovell et al. 2019: 24). Furthermore, they contend there are no gains to account for concerning egalitarian or participatory aspects of democracy, which populist parties often claim to promote.

Another possible explanation is that mainstream parties find it easier to cooperate with populist parties in the economic rather than the cultural or migration policy dimensions. This is particularly the case for centre-right coalitions with radical right parties. Their political agendas seem to find common ground on deregulation and the privatization of state-owned companies (Röth et al. 2018: 346). In fact, for most populist formations, the economic program in their manifestos is secondary to ideological stances on migration and cultural issues (Mudde 2007). This means that they may be more approachable on the former than the latter policy dimension. Rovny (2013) provides substantial evidence that radical right parties do not compete with other political parties on the economic dimension and adopt a more chameleonic posture.

They do blur and blend economic with identity issues. However, once they are in office they want to stay in office and they (1) become more institutionalized, and (2) acknowledge that radical institutional reforms with an economic impact (e.g. reducing the role of independent regulators) are too costly to achieve. Thus, they are more likely to impact in collective psychological terms (e.g. shocking businesspeople) than shifting the pieces of the puzzle or changing the rules of the game to their favour. In short, liberal-constitutional democracies and economies are more resilient to changes caused by populist parties than one might be led to believe.

There is also the issue of institutional constraints resulting from EU membership. European democracies operate in a multi-level governance structure characterised by the interdependence and “continuous negotiation among governments at several territorial tiers-supranational, national, regional and local” (Hooghe and Marks 2001: 234). This has two implications for business perceptions on the negative impact populist incumbencies upon political and market stability.

The EU is founded on the shared values of democracy, the rule of law and respect for fundamental rights (Article 2, TEU). Member States may see some of their membership rights suspended (including voting rights in the Council) if there is “a clear risk of a serious breach by a Member State of the values referred to in Article 2” (Article 7, TEU). Nonetheless, the sanctions require a high decision-making threshold in the Council and (in some cases) in the European Parliament, and therefore, rely heavily on Member States’ willingness to take action. In a context where populist and Eurosceptic parties have increased their vote share in the European Parliament elections, these disciplinary mechanisms become harder to trigger. Two main reasons underlie this problem. First, these parties have strengthened their bargaining power within the EU legislative process. Second, their chances to influence the designation of a commissioner uncommitted with democracy, the rule of law and the European project, both at the Council level and subsequently during the parliamentary committee evaluation, have increased considerably.

That said, the EU has taken the unprecedented step of triggering the punishment clause against Poland to stop a law that limited the independence of judges. More recently, the European Parliament voted a resolution (12 September 2018) on a proposal calling EU member states to determine, under Article 7, whether Hungary is at risk of breaching the EU´s founding values. The business community acknowledges this institutional moderation. Thus, the initial fear of the negative effect of upcoming populist incumbencies on political uncertainty is flattened, and the business climate returns to normal within a few years.

However, history also tells us that large investors, national or foreign, do not necessarily act as a bulwark of democratic values. Therefore, an alternative explanation is that businesspeople adjust their portfolio of investments according to differentiated risks. There is a certain level of political and market uncertainty they are prepared to tolerate and accommodate in the way they structure their investment preferences. Dealing with populist incumbents is not necessarily less appealing and rewarding for firms’ interests than influencing conventional parties in government. A good deal of the literature in political science underlines the collaborative relationship between authoritarian governments and foreign companies, even if this relationship is not straightforward. Further research is needed on the responses of national and international stakeholders to the coming into power of populist forces (Kaltwasser and Taggart 2016: 205).

Conclusion

Based on the results and the considerations of our findings in the last few paragraphs, we conclude by saying that populist incumbencies have a short-term reputational effect on a country’s perceived political stability and business climate that flattens over time.

So far, European democracies have shown to be sufficiently strong to constrain populist incumbencies in their intents to adopt policies that make the political system unstable (with a few known exceptions) and that may threaten the business climate. But they have not achieved this on their own. The fact that they are embedded in the broader EU governance structure strengthens their institutional resilience and mitigates the possibility of populist incumbents implementing their radical agendas. This offers a plausible explanation of why European economies are not as badly (or at all) hit by populist incumbencies as feared during the run-up for office. Expert opinion indicators on political uncertainty and business climate are initially negatively affected, but they return to normal when experts realize that their initial suspicions were not met.

That said, when populist actors have the necessary conditions to implement their pledges and payoffs, no matter how unreasonable and unpredictable they may be, they are more likely to start introducing changes to the system of checks and balances and to subvert the separation of powers that they consider to be dysfunctional and a threat. Such changes are expected to meet with some resistance within the EU, but this will always come down to the general democratic mood of its member states. In the current situation of rampant populism in Europe paved by the impact of the economic and financial crisis, the refugee crisis of 2015 and the new COVID-19 pandemic crisis, remains to be seen if this moderating effect of the institutions and procedures of liberal democracy will still be successful in taming populist incumbents, an imperative research agenda for the future (see Kriesi and Pappas 2015).

The present study has, of course, its limitations. By focusing on 26 European countries all part of the EU or very closely linked to the EU, our analysis operates within the strong constrains of EU membership. They limit the powers of governments, which reduces the power of populists in office. This should calm investors, keep confidence high and uncertainty low.

That we find evidence supporting our hypotheses in this sample should heighten our confidence that we can generalise our findings to other countries and continents where the constraints of the EU do not apply. Indeed, we would expect the reputational effect in such settings to be even stronger, and we strongly encourage future research into this direction. Notwithstanding, our case selection also limits our ability to check how different variants of populism influence political uncertainty and the business climate. A case could be made that left-wing and right-wing populist parties in power are perceived differently by businesspeople. Thus, it might have different effects on the dependent variables investigated in this study.

We are unable to explore the role of ideology in this study since we are constrained by our case selection of (almost entirely) right-wing parties in power. Still, recent studies seem to indicate that the classic economic left-right cleavage is less relevant than the cultural clash between populism and cosmopolitan liberalism (Norris and Inglehart 2016). Another recent diachronic and cross-country study by Cavallaro (2017), using manifesto analysis to obtain a taxonomy of RRPs' economic programmes, shows that these parties do not share a common view on mainstream economic topics, despite some convergence. A conclusion that seems consistent with Mudde (2007), who argues that economic issues are not at the heart of their ideology and hence are less prominent in their manifestos. That said, expanding the sample could allow us to capture populists' reputational effects in a more nuanced and detailed manner.

Finally, we limit the scope of our study to the reputational effect populist parties have in general. Yet another way investors and businesspeople might differentiate when populists take office is by looking at the ministries they actually occupy. It might be very different, from a business point of view, whether populist parties obtain the ministry of the interior and ministry of economic affairs, or "only" the social agendas and education. More research in this direction is needed.

References

Abts, K. and S. Rummens (2007). Populism Versus Democracy. *Political Studies* 55(2): 405–424.

Akkerman, T. (2012). Comparing Radical Right Parties in Government: Immigration and Integration Policies in Nine Countries (1996–2010). *West European Politics* 35(3): 511–529.

Akkerman, T. and S. L. De Lange (2012). Radical Right Parties in Office: Incumbency Records and the Electoral Cost of Governing 1. *Government and Opposition* 47(4): 574–596.

Albertazzi, D. (2008). Switzerland: Yet Another Populist Paradise. In Albertazzi, D. and D. McDonnell (Eds.), *Twenty-First Century Populism. The Spectre of Western European Democracy*. New YorkPalgrave Macmillan (100–118).

Albertazzi, D. and D. McDonnell (2015). *Populists in Power*. London & New YorkRoutledge.

Arndt, C. and C. Oman (2010). *Uses and Abuses of Governance Indicators*. Paris, France: Development Centre Studies: OECD Publishing.

Bale, T., S. Van Kessel and P. Taggart (2011). Thrown around with Abandon? Popular Understandings of Populism as Conveyed by the Print Media: A UK Case Study. *Acta Politica* 46(2): 111–131.

Becerra-Fernandez, I., S. H. Zanakis and S. Walczak (2002). Knowledge Discovery Techniques for Predicting Country Investment Risk. *Computers & Industrial Engineering* 43(4): 787–800.

Berezin, M. (2013). The Normalization of the Right in Post-Security Europe. In Schaefer, A. and W. Streeck (Eds.), *Politics in the Age of Austerity*. CambridgePolity Press (239–261).

Betz, H.-G. (1994). *Radical Right-Wing Populism in Western Europe*. New YorkSt. Martin's Press.

—— (1998). Against Rome: The Lega Nord. In Betz, H.-G. and S. Immerfall (Eds.), *The New Politics of the Right: Neo-Populist Parties and Movements in Established Democracies*. LondonMacmillan Press (45–59).

Bjørklund, T. and J.G. Andersen (2002). Anti-Immigration Parties in Denmark and Norway. In Schain, M., A. Zolberg and P. Hossay (Eds.), *Shadows over Europe: The Development and Impact of the Extreme Right in Western Europe*. New YorkPalgrave Macmillan (107–136).

Busse, M. and C. Hefeker (2007). Political Risk, Institutions and Foreign Direct Investment. *European Journal of Political Economy* 23(2): 397–415.

Canovan, M. (1999). Trust the People! Populism and the Two Faces of Democracy. *Political Studies* 47(1): 2–16.

—— (2004). Populism for Political Theorists? *Journal of Political Ideologies* 9(3): 241–252.

—— (2005). *The People*. Cambridge, UKPolity Press.

Cavallaro, M. (2017). Towards a Political Economy of Radical Right Parties. Doctreur en Sciences économiques et en Sociologie présentée et soutenue publiquement le 5 décembre 2017. Université Paris 13, Sorbonne.

De Lange, S.L. (2012). New Alliances: Why Mainstream Parties Govern with Radical Right-Wing Populist Parties. *Political Studies* 60(4): 899–918.

Döring, H. and P. Manow (2016). *Parliaments and Governments Database (Parlgov). Information on Parties, Elections and Cabinets in Modern Democracies.*

Doyle, D. (2011). The Legitimacy of Political Institutions: Explaining Contemporary Populism in Latin America. *Comparative Political Studies* 44(11): 1447–1473.

Fella, S. and C. Ruzza (2013). Populism and the Fall of the Centre-Right in Italy: The End of the Berlusconi Model or a New Beginning? *Journal of Contemporary European Studies* 21(1): 38–52.

Gidron, N. and B. Bonikowski (2013). Varieties of Populism: Literature Review and Research Agenda. *Working Paper Series, Weatherhead Center for International Affairs* No.13-0004.
Gulen, H. and M. Ion (2015). Policy Uncertainty and Corporate Investment. *The Review of Financial Studies* 29(3): 523–564.
Hegedüs, D. (2019). Rethinking the Incumbency Effect. Radicalization of Governing Populist Parties in East-Central-Europe. A Case Study of Hungary. *European Politics and Society* 20(4): 406–430.
Heinisch, R. (2003). Success in Opposition-Failure in Government: Explaining the Performance of Right-Wing Populist Parties in Public Office. *West European Politics* 26(3): 91–130.
Hill, C.A. (1997). How Investors React to Politial Risk. *Duke Journal of Comparatove & International Law* 8: 283.
Hooghe, L. and G. Marks (2001). *Multi-Level Governance and European Integration*. LanhamRowman & Littlefield Publishers.
Huber, R.A. and S.P. Ruth (2017). Mind the Gap! Populism, Participation and Representation in Europe. *Swiss Political Science Review* 23(4): 462–484.
Huber, R.A. and C.H. Schimpf (2017). On the Distinct Effects of Left-Wing and Right-Wing Populism on Democratic Quality. *Politics and Governance* 5(4): 146–165.
Ionescu, G. and E. Gellner (1969). *Populism: Its Meaning and National Characteristics*. New YorkMacmillan.
Ivars, J. L. F. d. S. (2017). *O Impacto Das Determinantes Ecońomicas E Sociais Na Percentagem De Voto Obtida Pelos Partidos Populistas Radicais*.
Jansen, R. S. (2011). Populist Mobilization: A New Theoretical Approach to Populism. *Sociological Theory* 29(2): 75–96.
Jensen, N. (2008). Political Risk, Democratic Institutions, and Foreign Direct Investment. *The Journal of Politics* 70(4): 1040–1052.
Kaltwasser, C.R. and P. Taggart (2016). Dealing with Populists in Government: A Framework for Analysis. *Democratization* 23(2): 201–220.
Kaufmann, D., A. Kraay and M. Mastruzzi (2007). *The Worldwide Governance Indicators Project: Answering the Critics*: The World Bank Research Working Paper 4149.
—— (2011). The Worldwide Governance Indicators: Methodology and Analytical Issues. *Hague Journal on the Rule of Law* 3(2): 220–246.
Kesternich, I. and M. Schnitzer (2010). Who Is Afraid of Political Risk? Multinational Firms and Their Choice of Capital Structure. *Journal of International Economics* 82(2): 208–218.
Krastev, I. (2006). "The New Europe: Respectable Populism, Clockwork Liberalism". *Open Democracy Journal*, 21.03.2006.
Kriesi, H. and T.S. Pappas (2015). *European Populism in the Shadow of the Great Recession*. ColchesterECPR Press.
Kurtz, M. J. and A. Schrank (2007). Growth and Governance: Models, Measures, and Mechanisms. *The Journal of Politics* 69(2): 538–554.
Laver, M. and K. A. Shepsle (1990). Coalitions and Cabinet Government. *American Political Science Review* 84(3): 873–890.
Levitsky, S. and J. Loxton (2013). Populism and Competitive Authoritarianism in the Andes. *Democratization* 20(1): 107–136.
Luther, K. R. (2011). Of Goals and Own Goals: A Case Study of Right-Wing Populist Party Strategy for and During Incumbency. *Party Politics* 17(4): 453–470.
Mair, P. (2008). The Challenge to Party Government. *West European Politics* 31(1–2): 211–234.
Mény, Y. and Y. Surel (2000). *Par Le Peuple, Pour Le Peuple: Le Populisme Et Les Démocraties*. ParisFayard.

—— (2002). The Constitutive Ambiguity of Populism. In Mény, Y. and Y. Surel (Eds.), *Democracies and the Populist Challenge*. New YorkPalgrave Macmillan (1–21).

Minkenberg, M. (2001). The Radical Right in Public Office: Agenda-Setting and Policy Effects. *West European Politics* 24(4): 1–21.

Mudde, C. (2000). In the Name of the Peasantry, the Proletariat, and the People: Populisms in Eastern Europe. *East European Politics and Societies* 15(1): 33–53.

—— (2004). The Populist Zeitgeist. *Government and Opposition* 39(4): 541–563.

—— (2007). *Populist Radical Right Parties in Europe*. CambridgeCambridge University Press.

Mudde, C. and C.R. Kaltwasser (2013). Exclusionary Vs. Inclusionary Populism: Comparing Contemporary Europe and Latin America. *Government and Opposition* 48(2): 147–174.

Müller, J.-W. (2016). *What Is Populism?* PhiladelphiaUniversity of Pennsylvania Press.

Müller, W. C. (2002). Evil or the 'Engine of Democracy'? Populism and Party Competition in Austria. In Mény, Y. and Y. Surel (Eds.), *Democracies and the Populist Challenge*. New YorkPalgrave Macmillan (155–175).

Norris, P. and R. Inglehart. (2016). Trump, Brexit, and the Rise of Populism: Economic Have-Nots and Cultural Backlash. Harvard JFK School of Government Faculty Working Papers Series: RWP16-026.

OECD. (2018). *Oecd. Stat Extracts*. Retrieved from: http://stats.oecd.org/

Oman, C. P. and C. Arndt (2010). *Measuring Governance*. OECD Decelopment Center, Policy Brief No. 39.

Panizza, F. (2005). Introduction: Populism and the Mirror of Democracy. In Panizza, F. (Ed.), *Populism and the Mirror of Democracy*. LondonVerso Books.

Papadopoulos, Y. (2002). Populism, the Democratic Question, and Contemporary Governance. In Mény, Y. and Y. Surel (Eds.), *Democracies and the Populist Challenge*. New YorkPalgrave Macmillan (45–61).

Pappas, T. S. (2014). Populist Democracies: Post-Authoritarian Greece and Post-Communist Hungary. *Government and Opposition* 49(1): 1–23.

Rodrik, D. (1991). Policy Uncertainty and Private Investment in Developing Countries. *Journal of Development Economics* 36(2): 229–242.

Rooduijn, M. (2014). The Nucleus of Populism. In Search of the Lowest Common Denominator. *Government and Opposition* 49(4): 573–599.

Röth, L., A. Afonso and D. C. Spies (2018). The Impact of Populist Radical Right Parties on Socio-Economic Policies. *European Political Science Review* 10(3): 325–350.

Rovny, J. (2013). Where Do Radical Right Parties Stand? Position Blurring in Multidimensional Competition. *European Political Science Review* 5(1): 1–26.

Ruth-Lovell, S. P., A. Lührmann and S. Grahn. (2019). Democracy and Populism: Testing a Contentious Relationship. *V-Dem Working Paper* 2019(91).

Schmitter, P. C. (2007). A Balance Sheet of the Vices and Virtues of Populism. *Romanian Journal of Political Science* 7(2): 5–11.

Taggart, P. (2000). *Populism. Concepts in the Social Sciences*. PhiladelphiaOpen University Press.

—— (2004). Populism and Representative Politics in Contemporary Europe. *Journal of Political Ideologies* 9(3): 269–288.

Thomson, R., T. Royed, E. Naurin, J. Artés, R. Costello, L. Ennser-Jedenastik, M. Ferguson, P. Kostadinova, C. Moury, F. Pétry and K. Praprotnik (2017). The Fulfillment of Parties' Election Pledges: A Comparative Study on the Impact of Power Sharing. *American Journal of Political Science* 61(3): 527–542.

Urbinati, N. (1998). Democracy and Populism. *Constellations* 5(1): 110–124.

Van Kessel, S. (2015). *Populist Parties in Europe: Agents of Discontent?* BasinstokePalgrave Macmillan.

van Spanje, J. and W. van der Brug (2007). The Party as Pariah: The Exclusion of Anti-Immigration Parties and Its Effect on Their Ideological Positions. *West European Politics* 30(5): 1022–1040.

Verbeek, B. and A. Zaslove (2015). The Impact of Populist Radical Right Parties on Foreign Policy: The Northern League as a Junior Coalition Partner in the Berlusconi Governments. *European Political Science Review* 7(4): 525.

Weyland, K. (2013). The Threat from the Populist Left. *Journal of Democracy* 24(3): 18–32.

World Bank. (2018). *World Development Indicators*. Retrieved from: http://databank.worldbank.org/Data/Home.aspx

Zaslove, A. (2004). Closing the Door? The Ideology and Impact of Radical Right Populism on Immigration Policy in Austria and Italy. *Journal of Political Ideologies* 9(1): 99–118.

Žižek, S. (2006). Against the Populist Temptation. *Critical Inquiry* 32(3): 551–574.

Luís de Sousa, Associate Professor at University of Lisbon, Instituto de Ciências Sociais. He got his PhD in Political and Social Sciences at the European University Institute. His research interests focus on political corruption, ethics regulation, quality of democracy, populism, local government and cross-border cooperation. Contact: luis.sousa@ics.ulisboa.pt

Daniel Fernandes, PhD student at the European University Institute, Department of Political and Social Sciences. He holds a MSc in Political Science at Universidade de Aveiro, Portugal. His research interests lie within welfare politics, public opinion, and electoral and parliamentary competition. Contact: daniel.fernandes@eui.eu

Florian Weiler, Assistant Professor at the Central European University, School of Public Policy. Previously he held positions at the Universities of Groningen, Basel, Kent, and Bamberg. Florian's work mostly focuses on environmental and on the behaviour and strategies of interest groups. Address for correspondnce: Quellenstraße 51, Room B41, 1100 Vienna, Austria, Phone +36 1 327 3000 2544; Email: weilerf@spp.ceu.edu